

SECRET

26 January 1981

MEMORANDUM FOR THE RECORD

Staff Meeting Minutes of 26 January 1981

Mr. Casey was in the chair. []

25X1

Clarke said that NFAC has prepared material for today's NSC meeting on terrorism and will provide it to Mr. Casey this morning. []

25X1

Clarke noted he had read in the Evans and Novak column in today's Washington Post about a national security directive which purports to describe how the NSC apparatus will function and interrelate. Clarke said he and Lehman would need to see the directive since most of the work done by NFAC and the NIC is governed by documents like the directive. Mr. Casey said there were three versions of the directive prepared by Richard Allen, Secretary Haig, Secretary Weinberger and Deputy Secretary Carlucci. Mr. Casey said he would get copies of these documents and then we would have to set up a mechanism to look at them to formulate an Agency response and position. []

25X1

Mr. Casey said that we have to consider ways to change the Executive Order 12036. In response to Mr. Casey's question, Silver, [] and [] said they were working the problem. Mr. Casey asked them to do separate recommendations addressing their perceptions of the Executive Order and recommending what modifications are needed and why. Mr. Casey asked Bross to collect these by 30 January. []

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Clarke reported that the Iraq/Iran war appeared to be flaring up and that the Iraqis were seizing mountain passes in the northern area of their operations. []

25X1

Clarke discussed last year's Soviet CPX opposite Iran and the concern it generated and reported that the Soviets appear to be beginning a new cycle of CPXs in Afghanistan and the Turkistan military district. Clarke said NFAC would closely monitor the exercise. []

25X1

Clarke reported little change in the Polish situation but said it appears that the events over the weekend indicate a collision course between the workers and the government. Lehman noted that the Polish estimate was in coordination and would be ready for publication by the end of the week if we could get NFIB's concurrence. Mr. Casey agreed with Lehman's recommendation that a telephonic concurrence rather than a formal NFIB meeting would be appropriate. []

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Mr. Casey asked Clarke to have NFAC prepare a comprehensive paper before the NSC meeting on El Salvador this week, which will cover El Salvador, Nicaragua, Cuba and the supply routes to El Salvador. In response to Lehman's question, Mr. Casey said the paper should be an Agency rather than a coordinated interagency paper. []

25X1

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[] said that Admiral Inman's appointment as DDCI had been formally announced at NSA. It was noted that the White House publicly announced same 23 January. []

25X1

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[] said he would like to meet with Mr. Casey to discuss the Budget Book. []

25X1

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Hitz noted that there are inquiries from the Hill on the condition of the former hostages and that since most of the information requested will be developed after the former hostages are debriefed, OLC is taking the position that it is premature to discuss any aspects of the hostage situation. []

25X1

Hitz said he saw no problems in Admiral Inman's confirmation as DDCI and noted that the Senate Armed Services Committee will decide on Admiral Inman's promotion to full Admiral. In response to Mr. Casey's question, Hitz said the D/NSA is not confirmed by the Senate. []

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Hitz reported everything is set for Mr. Casey's confirmation on 27 January; the vote probably will occur while Mr. Casey is at the Worldwide Intelligence Briefing. []

25X1

Strong mentioned a New York Times article which published Mr. Casey's net worth. []

25X1

Fitzwater announced that the hiring freeze is retroactive to 5 November and that until we get the guidelines from OMB, he won't know how it will affect the Agency. Fitzwater expects a rash of lawsuits because of people having wrapped up their affairs on the premise that they were being hired. In response to Mr. Casey's question, Fitzwater said the significance of the freeze is that in the past when a freeze was announced we could bring those people on board to whom we made commitments. Until the guidelines are sent we won't know if this can be done. Fitzwater told Mr. Casey a commitment was an offer of employment providing all necessary security and other investigations were successful. In response to Mr. Casey's question, Fitzwater said there were [] people in process, but he was not sure how many of those were in the pipeline prior to 5 November. Fitzwater noted he and Lipton were preparing for the Director a request to OMB for an exemption to the freeze. []

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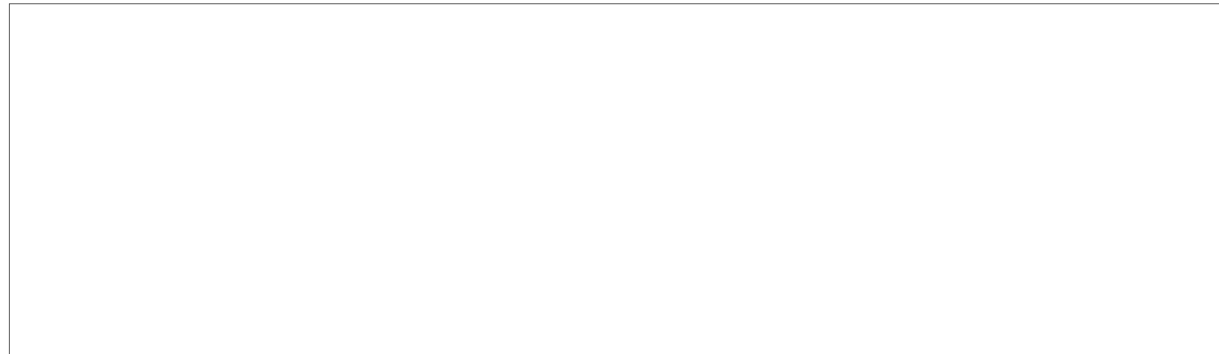
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In response to Bross' question, Hitz said the proposed change in Mr. Casey's level to EP 1 will be cleared with the President and proposed to Congress.

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Attachments

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OFFICE OF CURRENT OPERATIONS

NEWS SERVICE

Date. 26 January 1981Item No. 1

Ref. No. _____

DISTRIBUTION II WASHINGTON POST, 26 January 1981, page A-17
Rowland Evans and Robert Novak

Haig's Rise to the Top

Within hours of his confirmation as secretary of state, Alexander Haig put final touches on a document for President Reagan's signature that would enthrone the State Department and its new boss as undisputed foreign policy makers in the Reagan administration.

The document, drafted by Haig and his staffers on the seventh floor in Foggy Bottom, would end 12 years of National Security Council staff dominance over U.S. foreign policy. Specifically, it would establish two working committees to be chaired ordinarily by high State Department officials instead of, as in the past, by the NSC staff director.

The document is doubly significant because of its authorship. Though a presidential directive, it was written not by the new presidential assistant for national security (the NSC staff director), Richard V. Allen, but by Secretary of State Haig.

Haig knows more about how the NSC apparatus works than anyone else in the Reagan administration. Having gained that knowledge during the Nixon years as NSC director Henry Kissinger's top aide, Haig knows what he wants from Reagan: a return to the system of 20 years ago when State Department officials, not White House operatives, ran the committees that control national security communications to the Oval Office.

The rise of Al Haig and the decline of the NSC staff system draws mixed reviews within the Reagan administration. Allen himself utters no dissent. Reflecting the president's wishes, he is helping Haig. Eyebrows lifted when Allen hired Maj. Gen. Robert L. Schweitzer, one of Haig's lieutenants at NATO command in Europe, as a key NSC staffer. That gives Haig a potent ally in the White House.

But Haig as potential Cabinet strongman generates distrust in higher elevations of the Reagan administration. Edwin Meese, the president's closest aide, is said by insiders to consider California Supreme Court Justice William P. Clark as a counterweight to Haig. Clark's selection as deputy secretary of state, despite his lack of foreign policy experience, was based on loyalty to Reagan proven in service as the president's first chief of staff as governor of California.

Even with Clark at State, however, Haig's rise will not be stopped quickly. That was affirmed

when Haig sent his unprecedented proposal to the White House reconstituting the NSC not along lines laid down by Allen but fitting his own desires.

Such a concession by Kissinger or Jimmy Carter's NSC director, Zbigniew Brzezinski, would have been unthinkable. The very fact that at this writing the new president has not yet issued his first directive on his desired NSC setup is revealing.

By Dec. 30, 1968, Kissinger had completed the most elaborate study ever made of the NSC structure, which was quickly approved by Richard Nixon in a series of directives that opened his presidency. On Jan. 19, 1977, Brzezinski got Carter's signature on changes he wanted in the NSC system, with Carter's approval going out Jan. 20 as Presidential Directive No. 2.

Allen's failure to perform with the same dispatch demonstrates the sincerity of Reagan's often-expressed dislike for the NSC's staff system of the last dozen years. Reagan simply does not regard the NSC as an invaluable tool of presidential policy-making, as did Nixon, Gerald Ford and Carter. Instead, known for his like of uncomplicated bureaucratic structures, Reagan has said he was appalled at infighting between the State Department and the NSC that accompanied the dominance of Kissinger and, to a lesser extent, of Brzezinski.

Reagan's attitude is Haig's launching pad, and few here doubt the secretary of state's capacity to exploit and expand his influence over foreign policy in the months ahead. Yet, besides Meese's caution, stemming from his desire to protect the president, there are skeptics of Reagan's decision within the national security bureaucracy.

They say privately that whatever confusion the old system caused, it guaranteed the Pentagon and the intelligence community equal, sometimes superior access to the Oval Office. To give the State Department so much control over the national security system, they contend, could block that access, by accident or design. If they are correct, national security could suffer. Haig shows no such concern. Yet his ability to deal with the critics and make the new system work will decide just how high will be the rise of Al Haig that began with a presidential directive drafted in the State Department.

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MONDAY, JANUARY 20, 1981

Financial Reports Show That 10 Members Of Cabinet Are Worth \$1 Million or More

WASHINGTON, Jan. 25 (AP) — At least 10 of the 17 Cabinet-level officials in the Reagan Administration have a net worth of more than \$1 million, according to financial-disclosure reports examined yesterday.

Only four officials — Jeane J. Kirkpatrick, the chief United States delegate to the United Nations, Secretary of Education T. H. Bell, Secretary of the Interior James G. Watt and David A. Stockman, the director of the Office of Management and Budget — were found to have net worths of less than \$500,000.

The Cabinet members had listed their assets and liabilities with the Office of Government Ethics, as required by the 1978 Ethics in Government Act.

The financial forms only give a broad range of money values, so it was impossible to determine exactly the net worth of each official. Also, it was difficult to compare the sums for different officials because some listed the salaries they received in their previous jobs, while others did not. Also, some listed their assets and income of one or more other family members, while others gave only their own financial profile.

Brock Inherited Company

Bill Brock, the special trade representative, who is an heir to a Tennessee candy company, gave his 1980 assets, with members of his immediate family, as \$4.8 million to at least \$9.2 million. His income was \$253,000 to \$661,000, including his \$62,500 salary as chairman of the Republican National Committee and dividends from an investment portfolio. He did not list any liabilities.

The net worth of William J. Casey, the Director of Central Intelligence, was given as \$3.3 million to at least \$5.6 million. His 1980 income from the New York law firm of Rogers & Wells was \$100,000. Stocks held by he and his wife were valued at \$3 million to \$5.2 million or more. No liabilities were listed.

The disclosure forms indicated that Attorney General William French Smith, President Reagan's personal lawyer in Los Angeles, and his wife had a net worth of \$2.9 million to at least \$5.8 million. He made \$325,000 last year from his law firm and nearly \$115,000 more in various fees as part of a total income of \$635,000 to at least \$850,000. The couple's investment portfolio included securities valued from \$2.3 million to at least \$5.2 million. He listed liabilities of \$80,000 to \$200,000.

Defense Secretary Caspar W. Weinberger's net worth was \$2.2 million to \$3.5 million, or more. His income of \$1.1 million to more than \$1.2 million includes \$580,953 in salary from the Bechtel Group engineering and construction firm and other sources. His property assets were valued from \$1.4 million to \$2.6 million, while his liabilities were at least \$275,000.

Stock Dividends of Regan

Secretary of the Treasury Donald T. Regan listed the 1980 income for himself and his wife last as \$719,000 to \$775,000, including dividends of more than \$100,000 from common stock in Merrill Lynch & Company, whose brokerage firm he headed. The value of the couple's property assets was \$1.2 million to \$2.4 million, while their liabilities were \$615,000 to \$1.1 million.

Commerce Secretary Malcolm Baldrige, who headed Scovill Inc. in Connecticut, gave a net worth for himself and his wife of \$1.2 million to \$1.7 million. His

property assets were listed as \$1.4 million to more than \$2.2 million, his income from \$478,000 to \$492,000 and liabilities from \$715,000 to \$1 million.

Samuel R. Pierce Jr., Secretary of Housing and Urban Development, reported a net worth of \$1 million to \$2 million, based on an income of \$322,000 to \$381,000 and property assets of \$754,000 to \$1.6 million. He listed no liabilities. In addition to his earnings of \$280,000 as a senior partner in a New York law firm, he received stock dividends.

Agriculture Secretary John R. Block gave his property assets as \$3.3 million to \$4.1 million. Eleven of those properties, including his 3,000-acre hog, soybean and corn farm, were valued at more than \$250,000 each. His personal income was \$172,709 to \$291,396, which included his \$40,800 salary as Illinois state agriculture director. His liabilities with business associates were given as \$5.1 million to \$6.7 million or more.

Donovan Still Not Confirmed

Secretary of Labor-designate Raymond J. Donovan, who is still awaiting Senate confirmation, listed a family net worth of \$1.5 million to more than \$2.3 million. His property assets last year were \$1.9 million to at least \$3.1 million, while his salary as an executive of and consultant to a New Jersey construction company made up the bulk of his income of \$777,000 to \$946,000. His liabilities were given as \$1.2 million to at least \$1.8 million.

Alexander M. Haig Jr., who gave up the presidency of United Technologies Corporation to become Secretary of State, listed a net worth of \$1.7 million to \$2.1 million, primarily in salary and bonuses from his former employer. He gave his liabilities as \$50,000 to \$100,000.

Three other Cabinet members, Transportation Secretary Drew Lewis, Energy Secretary James B. Edwards and Richard S. Schweiker, the Secretary of Health and Human Services, can be considered millionaires if the upper estimates of their net worth are closer to their real financial standing.

As part of their disclosure statements, most of the Cabinet officials agreed to divest themselves of financial interests, resign from business and public organizations and disqualify themselves from acting in matters in which they have interests, to comply with conflict-of-interests laws.

Federal Study Advising Mail-Order Rule Reform

WASHINGTON, Jan. 25 (UPI) — Mail order customers are being cheated significantly despite Federal regulations designed to protect them, Congressional investigators said today.

Part of the problem is a lack of coordination between the United States Postal Service and the Federal Trade Commission, the report from the General Accounting Office said.

The accounting office, which monitors Federal programs for Congress, said the trade commission should analyze how well its five-year-old mail order rule is working and improve its method of processing complaints.

The commission's rule requires that mail-order businesses that advertise specific delivery times must be reasonably sure they can deliver by those dates. If no time is advertised, delivery must occur within 30 days after the order is received.

The report said that mail order, an \$80 billion-a-year market, causes about 100,000 complaints each year to the companies involved, the Government and trade associations such as the Better Business Bureau.

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